



March 2nd, 2017

Insurance and Real Estate Committee
Legislative Office Building, Room 2800
Hartford, CT 06106

Re: Opposition to CT HB 7124 – “An Act Concerning Maximum Allowable Cost Lists and Disclosures by Pharmacy Benefit Managers”

Dear Members of the Insurance and Real Estate Committee:

The Pharmaceutical Care Management Association (“PCMA”) is submitting the following comments in opposition to HB 7124, “An Act Concerning Maximum Allowable Cost Lists and Disclosures by Pharmacy Benefit Managers.” PCMA is the national trade association representing America’s pharmacy benefit managers (“PBMs”), which administer prescription drug plans for more than 266 million Americans with health coverage provided through Fortune 500 employers, health insurance plans, labor unions, and Medicare Part D.

HB 7214 as drafted would limit the way in which PBMs utilize maximum allowable cost (MAC) lists to keep drug prices down. The legislation mandates that PBMs disclose the sources they use to create their MAC lists. It also places requirements on what the PBM must do prior to placing a drug on their MAC list, among other unnecessary provisions included in the legislation.

MAC lists are one of the most common methodologies used in paying pharmacies for dispensing generic drugs. By definition, MAC is the maximum allowable reimbursement by a pharmacy benefit manager for a particular generic drug that is available from multiple manufacturers and sold at different prices. Each manufacturer has its own price for a particular generic drug and these prices can differ extensively by manufacturer. The purpose of MAC pricing is to standardize the reimbursement amount for identical products from various manufacturers, regardless of each manufacturer’s price.

A MAC list is a common cost management tool that is developed from a survey of wholesale prices existing in the marketplace prices existing in the marketplace, taking into account: market share, existing inventory, expected inventories, reasonable profits margins and other factors. Each PBM develops and maintains its own confidential MAC list derived from its specific proprietary methodologies.

MAC pricing information is proprietary due to the highly competitive environment PBMs operate in. Therefore, it is essential to ensure that their contractors (pharmacies) compete with each other to get the lowest price possible. If MAC information is forcibly disclosed, it would

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have an anti-competitive effect on insurers and employers, as well as PBMs. Competing PBMs would have access to others' pricing information and competing pharmacies would have access to others' reimbursement calculations, allowing both to price fix. This would drive up drug prices for employers and consumers.

MAC pricing is used by 79% of private employer prescription drug plans for retail generic prescriptions. Forty-five state Medicaid programs now use MAC lists.

HB 7124 restricts PBMs' ability to manage the drug benefit through MAC lists and will ultimately lead to increased costs to the consumer and to the plan sponsor that uses PBMs to manage their drug benefit. We are opposed to the legislation as it is drafted but are willing to work together to improve the language within.

Thank you for your consideration and please let us know if we can provide you with any other information.

Sincerely,

A handwritten signature in cursive script, appearing to read "Melodie Shrader".

Melodie Shrader
Senior Director, State Affairs